

Kentucky Power Company

REQUEST

Provide the remarks of Mr. Henderson at the FERC conference discussed at the bottom of page 2 of Mr. Henderson's testimony.

RESPONSE

Please see the attached diskette for an electronic copy of the transcript of the conference of FERC Docket RM02-0700 and the remarks of Mr. Henderson.

WITNESS: James E Henderson

Kentucky Power Company

REQUEST

Which accounting method is reflected in the life studies; "location-life" or "cradle-to-grave?"

RESPONSE

Location life accounting is reflected in the life studies.

WITNESS: James E Henderson

Kentucky Power Company

REQUEST

What is the impact of the accounting method used, i.e., "location-life" or "cradle-to-grave" on the lives calculated in the Depreciation Study?

RESPONSE

No such calculations were prepared.

WITNESS: James E Henderson

Kentucky Power Company

REQUEST

Provide explanatory examples of the debits and credits relating to customer advances and contributions-in-aid of construction.

RESPONSE

Customer Advances for Construction

The Company credits Account 252, Customer Advances for Construction, for construction advances received from customers which are to be refunded. When a refund is issued to a customer this account is debited for the amount of the refund. An example of the journal entries to record these transactions are as follows:

| <u>Account</u> | <u>Description</u> | <u>Debit</u> | <u>Credit</u> |
|----------------|---|--------------|---------------|
| 131 | Cash | 1,000 | |
| 252 | Customer Advances for Construction | | 1,000 |
| | To record the receipt of a \$1,000 customer advance for construction. | | |
| 252 | Customer Advances for Construction | 1,000 | |
| 131 | Cash | | 1,000 |
| | To record the refund of a \$1,000 customer advance for construction. | | |

Contribution in Aid of Construction

The Company credits Account 107, Construction Work in Progress, for contributions received toward the construction of electric plant. When the project is completed the credit is transferred to Account 101, Electric Plant in Service. An example of the journal entries to record these transactions are as follows:

| <u>Account</u> | <u>Description</u> | <u>Debit</u> | <u>Credit</u> |
|----------------|--|--------------|---------------|
| 131 | Cash | 1,000 | |
| 107 | Construction Work in Progress | | 1,000 |
| | To record the receipt of a \$1,000 contribution in aid of construction. | | |
| 107 | Construction Work in Progress | 1,000 | |
| 101 | Electric Plant in Service | | 1,000 |
| | To record the transfer of a \$1,000 contribution in aid of construction from Account 107 to Account 101. | | |

WITNESS: Ranie K. Wohnhas